

Message Text

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ACTION OES-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 SSO-00 NSCE-00
ACDA-12 CIAE-00 INR-10 IO-13 L-03 NSAE-00 EB-08
NRC-05 SOE-02 DODE-00 SS-15 SP-02 CEQ-01 PM-05
USIE-00 INRE-00 /106 W
-----117956 221730Z /46

O 221650Z FEB 78
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC IMMEDIATE 5273
INFO AMEMBASSY TEHRAN IMMEDIATE
USDOEHQ WASHDC IMMEDIATE
USDOEHQ GERMANTOWN IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 VIENNA 01710

USIAEA

DEPT FOR ASST.SEC. ATHERTON, DEPUTY UNDER SEC. NYE
DOE FOR DEP. ASST.SEC. SIEVERING

E.O. 11652: XGDS
TAGS: PARM, IR, TECH
SUBJECT: U.S./IRAN NUCLEAR COOPERATION AGREEMENT

REF: TEHRAN 01044

1. U.S. TEAM (NOSENZO (OES), BENGELSDORF (DOE), BRUSH (DOE) AND SLOAN (L)) MET AFTERNOONS AND EVENINGS OF FEBRUARY 19, 20, 21 AND 22 WITH IRANIAN TEAM MANZOUR AND TABARI TO NEGOTIATE DETAILS OF DRAFT AGREEMENT AND ACCOMPANYING NOTE. PROGRESS, WHILE SLOW, WAS STEADY, WITH ISSUES RAISED BY PROPOSED CHANGES OFFERED BY IRANIAN SIDE IN JANUARY BEING RESOLVED IN AN ACCEPTABLE MANNER IN COMPLIANCE WITH PENDING U.S. LEGISLATION AND POLICY. ONLY MAJOR OUTSTANDING ISSUE IS MOST FAVORED NATION (MFN) CLAUSE IN DRAFT NOTE AS DISCUSSED BELOW.
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2. AT OPENING SESSION, U.S. SIDE GAVE IRANIANS PROPOSED REDRAFT OF MFN CLAUSE AS FOLLOWS: "RECOGNIZING IRAN'S LEADERSHIP ROLE IN THE FIELD OF NON-PROLIFERATION, THE UNITED STATES INTENDS TO IMPLEMENT ANY COOPERATION AND EXERCISE ITS RIGHTS UNDER THE AGREEMENT IN A WAY THAT ENSURES THAT IRAN ENJOYS TREATMENT NO LESS FAVORABLE

WITH REGARD TO, INTER ALIA, BENEFITS, OPPORTUNITIES AND FREEDOMS OF ACTION THAT THE UNITED STATES MAY AFFORD UNDER COMPARABLE CIRCUMSTANCES TO ANY OTHER PARTY WITH WHICH THE UNITED STATES IS COOPERATING."

3. IRANIAN SIDE DID NOT COMMENT ON U.S. DRAFT DURING THIS SESSION. HOWEVER, IN SUBSEQUENT CONVERSATION WITH NOSENZO FOLLOWING SESSION, MONZOUR SAID THAT IRANIANS FULLY EXPECTED U.S. REDRAFT OF IRANIAN PROPOSED MFN CLAUSE. HE SAID THAT HE WAS UNDER INSTRUCTIONS FROM THE SHAH THROUGH DR. ETEMAD TO DO WHATEVER IS NECESSARY TO COMPLY WITH U.S. LAW AND REACH FINAL AGREEMENT. HOWEVER, CORNERSTONE OF THIS AGREEMENT WAS THE MFN CLAUSE AS REDRAFTED BY IRANIAN SIDE WHICH, IN THEIR VIEW, REFLECTED PRESIDENT'S COMMITMENT TO SHAH. THE IRANIAN TEXT WAS AS FOLLOWS: "RECOGNIZING IRAN'S LEADERSHIP ROLE IN THE FIELD OF NON-PROLIFERATION, THE UNITED STATES INTENDS TO IMPLEMENT THE AGREEMENT IN A WAY THAT ASSURES THAT IRAN AS A MOST FAVORED NATION ENJOYS, INTER ALIA, THE SAME BENEFITS AND OPPORTUNITIES AND FREEDOMS OF ACTION AS MAY BE AVAILABLE TO ANY OTHER STATE WITH WHICH THE UNITED STATES COOPERATES."

4. MONZOUR SAID THAT WHILE HE HAD NOT EXAMINED CAREFULLY THE U.S. LANGUAGE, ELIMINATION OF REFERENCE TO "MOST FAVORED NATION" AND "LOOPHOLE" PROVIDED BY CONFIDENTIAL

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PHRASE "UNDER COMPARABLE CIRCUMSTANCES" CLEARLY WERE MEANT TO WATER DOWN U.S. COMMITMENT AND THEREFORE DID NOT PROVIDE A BASIS FOR AGREEMENT. MONZOUR STRESSED THAT IRANIAN MFN LANGUAGE WAS HAMMERED OUT WITH GREAT DIFFICULTY WITHIN THE GOI AND IMPLIED THAT LANGUAGE HAD PERSONALLY BEEN REVIEWED BY THE SHAH.

5. MANZOUR CALLED NEXT DAY TO SAY THAT UPON EXAMINATION THEY COULD NOT ACCEPT ANY OF THE LANGUAGE CHANGES TO MFN CLAUSE. WE THEREFORE AGREED TO INFORM WASHINGTON OF THIS DEVELOPMENT BECAUSE OF ITS CENTRALITY TO AGREEMENT BUT ONLY AFTER IT WAS CLEAR FROM NEGOTIATION THAT NO OTHER MAJOR PROBLEMS EXISTED.

6. IN COURSE OF FEBRUARY 21 DISCUSSION, ISSUE OF MFN CAME UP IN FULL SESSION IN CONNECTION WITH SPECIFIC APPLICATION OF MFN CLAUSE TO POSSIBLE U.S. FUTURE APPROVAL OF REPROCESSING. MONZOUR MADE IT CLEAR THAT MFN CLAUSE IN IRANIAN VIEW DID NOT RPT NOT APPLY TO GUARANTEES IN AGREEMENT (E.G., IRAN DID NOT WANT SPECIAL SAFEGUARDS TREATMENT SUCH AS IN U.S./EURATOM AGREEMENT). RATHER, THEY WISHED FIRM UNQUALIFIED COMMITMENT THAT

ANY BENEFITS THAT U.S. WOULD NEGOTIATE OR APPROVE
SUBSEQUENT WITH REGARD TO CIVIL NUCLEAR COOPERATION WITH
FRANCE, EURATOM OR ANY OTHER COUNTRY AFTER THE U.S./IRAN
AGREEMENT WOULD BE AVAILABLE TO IRAN, REGARDLESS OF TIME
FRAME. AS EXAMPLE, MONZOUR SAID IF U.S. ALLOWS FRANCE
TO REPROCESS AND FABRICATE PLUTONIUM FOR USE IN FRENCH
REACTORS IN 1985, IRAN SHOULD ALSO HAVE OPPORTUNITY TO
HAVE FUEL REPROCESSED IN FRANCE AND GET FABRICATED
PLUTONIUM FUEL FOR IRAN UNDER SAME CONDITIONS IN 1995.
THIS, IN IRANIAN VIEW, WAS THE SUBSTANCE OF COMMITMENT
BETWEEN PRESIDENT AND SHAH. IRAN DID NOT WANT TO BE
PENALIZED BECAUSE IT WAS NNWS OR STARTED RELATIVELY

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LATE IN ITS NUCLEAR POWER PROGRAM.

7. IN RESPONSE TO U.S. CONCERN THAT MFN CLAUSE AS
FORMULATED BY IRANIAN SIDE WAS TOO BROAD, AT CLOSE OF
SESSION IN CONFIDENTIAL EXCHANGE, MONZOUR OFFERED
ELEMENTS OF POSSIBLE COMPROMISE. LANGUAGE OF GENERAL
MFN CLAUSE AS WELL AS SPECIFIC MFN CLAUSE CONCERNING
REPROCESSING IN DRAFT NOTE WOULD REMAIN AS DRAFTED BY
IRANIAN SIDE. IRAN WOULD THEN RESTRICT ITSELF IN THE
NOTE TO ACTUALLY SEEK TO INVOKE MFN TREATMENT IN
THREE AREAS: (1) NUCLEAR FUEL ASSURANCES, (2) EFFICIENT
AND ECONOMIC OPERATION OF IRAN'S NUCLEAR PROGRAM AND
(3) ACCESS TO ADVANCED CIVIL NUCLEAR TECHNOLOGY. THE
UNITED STATES, IN RETURN, WOULD ASSURE IRAN THAT IT
INTENDS TO EXERCIZE ITS RIGHTS UNDER THE AGREEMENT SO

AS TO ASSURE THE EFFICIENT AND ECONOMIC OPERATION OF
IRAN'S NUCLEAR PROGRAM.

8. ABOVE ASSURANCES WOULD BE DESIGNED TO ENSURE THAT
MFN CLAUSE WOULD NOT UNDERMINE U.S. RIGHTS OR IRAN'S
GUARANTEES UNDER THE AGREEMENT AND PROVIDE U.S. SOME
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FLEXIBILITY FOR EXCEPTIONAL CASES. HOWEVER, BASIC
CONCEPT OF MFN AS REFLECTED IN IRANIAN LANGUAGE AND
APPARENTLY IN CONVERSATION BETWEEN HEADS OF STATE, AS
REFLECTED IN REFTEL, WOULD REMAIN, E.G., U.S. WOULD
OFFER IRAN SAME OPPORTUNITIES FOR NUCLEAR DEVELOPMENT
AND FUEL CYCLE ACTIVITIES THAT WE OFFER ANY OTHER
STATE, INCLUDING EC STATES.

9. IT APPEARS CLEAR THAT MONZOUR WAS UNDER FIRM
INSTRUCTION NOT TO BUDGE ON MFN LANGUAGE. WHILE
CLEARLY WILLING TO RESOLVE ALL OTHER ISSUES, HE
REPEATEDLY STRESSED IN PRIVATE CONVERSATION THAT SUCH
RESOLUTION WAS CONTINGENT ON U.S. ACCEPTANCE OF IRAN'S
MFN FORMULATION. PROCEDURALLY, MONZOUR INDICATED THAT
IF THIS FINAL QUESTION COULD BE RESOLVED, HE SAW
POSSIBLE NEED FOR SHORT (PERHAPS 1 DAY SESSION) IN
TEHRAN, TO FIRM UP TEXTS, THEN APPROVAL BY IRANIAN
PARLIAMENT, FOLLOWED BY ETEMAD TRIP TO WASHINGTON FOR
SIGNING OF AGREEMENT. HE ALSO ADDED THAT THEY WISHED TO
COMMUNICATE ON THIS MATTER ON CLOSE HELD BASIS,
PREFERABLY THROUGH U.S. DCM MIKLOS IN TEHRAN. ACTION
REQUESTED: WASHINGTON AND EMBASSY CONSIDERATION OF NEXT
STEPS TO RESOLVE THIS OUTSTANDING ISSUE. SMITH

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